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Required Report - public distribution

Date: 6/27/2019

GAIN Report Number: IS19003

Israel

Retail Foods 2019

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Report Highlights:

Israel is a net importer of all major categories of food products. The retail food market faces slow growth, limited competition, and high prices. Israeli food prices are 19 percent higher than the OECD average. Israeli citizens spend more than 16.7 percent of their income on food and beverages. In general, consumers choose to shop at supermarkets over traditional markets due to competitive prices and longer hours of operation. Over 60 percent of consumers buy their food at supermarkets.

Market Fact Sheet: Israel

Executive Summary

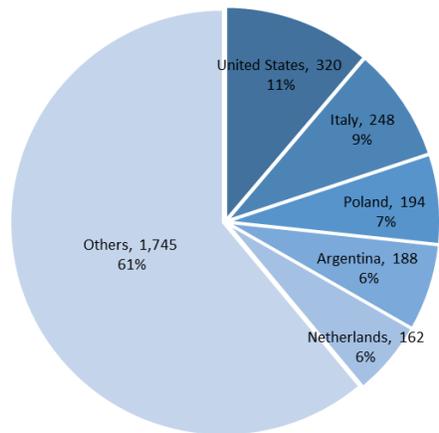
Israel is a technologically advanced, market-oriented economy. In 2018, Israel's annual GDP, in constant prices, grew by 3.3 percent and reached an estimated \$369 billion¹.

Consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, 16.9 percent of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agribusiness sector, contributing to a domestic scenario that is competitive and dynamic. In 2018, imports of agricultural products² reached \$6.92 billion.

Imports of Consumer-Oriented Products

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency; this affects local production costs and consumer prices. The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer oriented products. In 2018, Israel's import of consumer-oriented agriculture³ stood at \$2.86 billion. Approximately 11 percent of imports were sourced from the United States.

Imports of Consumer-Oriented Agriculture
(US\$ million)



Food Retail Industry

Israeli fast-moving consumer goods (FMCG) sales reached \$12.17 billion in 2018, \$9.1 billion were from food products. Over 60 percent of the sales of the total retail market are from supermarket chains. The food retail market is made up of supermarket chains, as well as urban convenience stores and gas stations, neighborhood grocery stores, and wet markets. Large supermarket facilities are located in the outskirts of the large cities near major thoroughfares, while smaller neighborhood supermarkets are located in urban centers.

There are three top leading supermarket retailers, which account for over 56 percent of the market. The leading retail supermarkets in Israel are: Shufersal, Yenot Bitan and Rami Levi. Israel's largest retail producer and seller of non-kosher products is Tiv Ta'am.

Quick Facts CY 2018

Imports of Consumer-Oriented Agriculture³ (\$million)
\$2,858

Top Trends:

Organic, Vegan, Premium, Gluten-free, Online Food Shopping, Home Delivery and Private Label

Food Industry Data (\$ billion) 2018

Food and Agricultural Products ² Exports	\$2.28
Food and Agricultural Products ² Imports	\$6.92
Food and Agricultural Products ² Imports from the USA	\$0.52
Bar-coded Retail Food Market	\$9.1
Bar-coded Retail Drinks Market	\$1.31

Top Host Country Food Retailers

Shufersal, Rami Levi – Hasikma Distribution, Dor Alon Retail Sites Management, Merav-Mazon Kol/Osher Add, Yenot Bitan, Chazi Hinam Kol-bow, Victory, Yohanannov Super Shuk, Machsanei Hashuk, and Tiv Ta'am.

GDP/Population 2018 (CBS estimate)

Population (*millions*): 9.02 (as of April 2019)

GDP (*billions USD*): \$369 (calculated value)¹

GDP per capita (*USD*): \$41,633 (calculated value)¹

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<p>U.S. products are perceived as better products; The Israeli consumer appreciates U.S. products and they are in demand; Many U.S. suppliers are kosher certified.</p>	<p>Cost of shipping from the U.S. is high; Israel's standards tend to follow EU standards and not U.S. standards; U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.</p>
Opportunities	Challenges
<p>Free trade agreement between the U.S. and Israel; The Israeli Ministry of Economy is determined to open the market for more imports in order to lower the cost of living; Israel has the potential to be a bridge to the Palestinian Authority with its rapidly growing population.</p>	<p>Low-cost competition from Eastern Europe, Turkey, former Soviet Union, South America, and Asia; Israel is a small market.</p>

Data and Information Sources:

Israeli Central Bureau of Statistics, Storenext, Euromonitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database, Company Financial Reports

¹ To date, CBS only published the GDP annual growth in percentage and Shekel value. The USD GDP and the GDP per capita are calculated values based the Bank of Israel's annual 2018 exchange rate of 3.59 Shekel to USD.

² Harmonized Tariff Schedule Chapters 1-24

³ Consumer Oriented Agriculture - BICO-HS6

SECTION I. MARKET SUMMARY

Israel is a net importer of all major categories of food products. In 2018, imports of agricultural products¹ reached \$6.92 billion, while imports of consumer-oriented agricultural products² totaled \$2.86 billion.

The retail food market faces slow growth, limited competition, and high prices. Israeli food prices are 19 percent higher than the OECD average; Israeli citizens spend more than 16.9 percent of their income on food and beverages. As a result, the Government of Israel is pursuing lower custom fees, increasing import quotas for specific food products, and implementing new regulations to promote competition in the sector and mitigate the high cost of living.

There are three main retail food channels in Israel, supermarkets, convenience stores, and traditional markets. A few large companies control a majority of the market, limiting competition and putting upward pressure on prices. The retail channels are:

- *Supermarkets:* Three large supermarket chains dominate the Israeli market, accounting for over 56 percent of the market. Many of the supermarket chains operate in various formats. For instance, the supermarket chain Shufersal operates larger discounted stores in the outskirts of cities, while in the center of the cities Shufersal operates smaller and more expensive neighborhood supermarkets. Large supermarket facilities are generally located in the outskirts of the major cities near major highways, in order to service multiple geographic locations. Smaller neighborhood supermarkets located in cities tend to carry many of the same goods at higher prices. Most supermarkets are open only six days a week, with Saturday being a mandatory day of rest. Tiv Taam is the only supermarket chain open seven days per week. It is also the only large supermarket selling non-kosher products. Large food retail chains have their own purchasing or importing division to handle food imports. Major supermarkets are now importing directly from foreign suppliers to reduce costs. The top ten chains have over 700 outlets.
- *Convenience stores:* Convenience stores are normally located on major thoroughfares or in gas stations. Convenience stores inside cities tend to cater to the local neighborhood residents, as parking is difficult or unavailable. Convenience stores within gas stations typically offer parking for commuting consumers. The top eight chains have over 890 outlets.
- *Traditional markets:* Small independent neighborhood grocery stores dominate the market in terms of number of outlets, though the number is declining. According to the Small Food Retail Association, over 500 outlets closed in 2018. These small grocers offer a narrower product selection than supermarkets. Similarly, they have shorter hours than the supermarkets and convenience stores. Based on the latest estimates, there are approximately 5,000 outlets.

In general, consumers choose to shop at supermarkets over traditional markets due to competitive prices and longer hours of operation. Over 60 percent of consumers buy their food at supermarkets. Concurrently, the share of food/drink/tobacco specialty shops is rising, creating

¹ Note: HS code 1-24

² Note: Consumer Oriented Agriculture - [BICO-HS6](#)

outlets for specific high quality goods. While many consumers are very price sensitive, others are willing to pay a premium for high quality products.

For a general overview of Israeli economics, politics, legal and regulatory systems refer to the [Investment Climate Statement](#) and [Israel Country Commercial Guide](#) published by the U.S. Department of State and the U.S. Department of Commerce, respectively.

Trends in Distribution Channels

- On-the-go consumption is on the rise, boosting growth of grocery channels characterized by impulse purchases, especially convenience stores. Convenience stores in gas stations have become common food and beverage providers. According to consumer behavior experts, the number of convenience stores is expected to grow as consumption behavior continues to change. Israelis households are shrinking and consumers are increasingly pressed for time. As such, Israeli consumers are buying less, more frequently, and closer to their homes, making convenience stores a logical option.
- Supermarkets chains are increasing their activity and presence in the center of cities. In many cases, this is being done through acquiring smaller chains.
- Supermarket chains are increasing their focus on online retailing, as internet retail sales continue to increase. Consumers enjoy the ease and convenience of shopping from their homes. In 2018, online food and drink sales increased by 22 percent in value terms, and reached nearly one billion dollars. The Israeli online food market is expected to grow by an annual rate of 20 percent through 2020.
- Israeli food manufactures are now attempting to enter online retailing. Tnuva, Israel's largest food company, opened an online store selling food products directly to consumers, thereby bypassing supermarkets. Tnuva's new platform does not sell single products, but rather enables consumers to order home kits for preparing recipes. The kits include ingredients produced by the group's dairy and food departments.

Trends in Services by Retailers

- During 2018, online food purchasing continued to expand as retailers improved their websites, providing a more user-friendly and smarter shopping experience. All the leading grocery retailers have entered the online channel with designated online stores and even apps.
- Organic foods and perceived healthier options are on the rise. Increasingly, Israeli consumers are willing to pay a premium for organic food items. As a result, supermarkets are giving greater priority to healthy and organic foods. Organic products are gaining larger shares of shelf space than in the past and the variety of products is expanding. In some cases, supermarkets have opened healthy and organic sections, or specialty health stores within supermarkets.
- Sales in private label products are growing. More supermarket chains are offering private label branded products. The share of private label products in Israel's largest retailer increased by one percent in 2018, accounting for 24 percent of all retail sales. Many of the large chains offering private label products are importing directly to access prices that are more competitive.

- Fruits and vegetables remain a staple in the Israeli diet. Even with growth in other retail sectors, supermarkets are still dedicating a large portion of their sales area to fruits and vegetables. Most are grown locally, with limited imports during the September and April holiday seasons.
- Sales of vegetarian and vegan products are on the rise, and sales of milk substitutes are showing rapid growth. In 2018, sales reached \$76.46 million dollars, a 23 percent increase from the previous year. Following the trend, some specialty supermarkets are establishing vegan departments in branches throughout Israel.
- In order to save on labor costs, a number of the supermarket chains are closing their butcher counters and are beginning to sell packaged cut meat.

Table 1: U.S. Supplier’s Advantages and Challenges Facing the Israeli Retail Food Sector

Advantages	Challenges
Israeli consumers are paying higher than global average prices for food and agricultural products.	Cost of transportation from the US are high.
The Ministry of Economy is determined to open the market for more imports in order to lower the cost of living.	Israel’s standards tend to follow EU standards and not U.S. standards.
Products certified as being manufactured under Good Manufacturing Practices (GMP) or HACCP will have greater ease of access to the Israeli market.	Many products are yet to be approved for entry by local entities, for example U.S. gluten-free products are not always considered gluten-free in Israel.
The U.S. food and Drug Administration’s (FDA) list of registered facilities is viewed favorably by Israel’s import licensing authority as it provides confirmation that the exporting manufacturer’s facility has been inspected by U.S. regulators.	Registration fees and procedures adding to product cost
Kosher certification is an advantage in the local market and many U.S. manufacturers are already koshered certified	Local market may recognize the quality and thus be willing to pay higher price.
U.S. products offer high quality.	

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. exporters should review [FAS Tel Aviv policy and market reports](#) and private sector analyses.

Find a Local Partner

Exporters should establish business relationships with reliable, experienced, and professional importers or distributors. These will offer advice on issues related to the product positioning, packaging, labeling, and custom clearance procedures. Face-to-face meeting or visits of U.S. firms to Israeli facilities will build relationships and create opportunities to explore business opportunities firsthand.

Exporters able to supply sufficient quantities should consider approaching large Israeli food retail chains. Large supermarket chains have their own purchasing and importing divisions to handle food imports. U.S. suppliers should first contact the purchasing or importing divisions of these large food chains, especially for new-to-market food products as they have the most experience with branding and distribution. FAS Tel Aviv has a list of local importers and can help with contact information. U.S. exporters should consider the price sensitivity of their customers, product requirements, purchasing policies, and purchase volumes.

Learn Regulations and Market Requirements

Israeli regulations, standards and market requirements have to be considered (see, [FAIRS - Israel Country Report](#)). Exporters need to consider kashrut or kosher certification. Certification is not a legal requirement for importing food into Israel (except for meat, and meat products); however, non-kosher products have a smaller market. Most supermarkets and hotels refuse to carry them.

Market Structure

Large supermarket chains import directly, as well as buy from importers or wholesalers. Others usually buy only through importers or wholesalers. In addition to large supermarket chains, which import directly, there are about 300 importers.

Distribution Channel Flow Diagram



Company Profiles & Top Israeli Retailers

Israel's top food retailers have been ranked by two separate entities, BDi Code and DUN'S 100. See [BDi Code's 2018 Supermarket Chains Rankings](#) and [DUN'S 100 2018 Food Retail Rankings](#).

SECTION III: COMPETITION

The main competitors for U.S. suppliers are EU member states. The U.S. industry's advantages include a good reputation for consistent quality and stable supply. The main advantages of competitors are proximity and price.

Table 2: Israel's Top Ten Imported Consumer-Oriented Product Groups, 2018

<u>Product Group</u>	Total Imports (\$ millions)	Percent of Total Imported Consumer-Oriented Products	Main Suppliers in percentage
Beef & Beef Products	\$531	18.6%	1. Argentina 29.8% 2. Uruguay 20.5% 7. U.S 1.7%
Food Preps. & Misc. Bev	\$434	15.2%	1. Ireland 19.8% 2. U.S 14.2% 3. Italy 13.9%
Tree Nuts	\$221	7.7%	1. U.S 52% 2. Vietnam 20% 3. Turkey 8.8%
Chocolate & Cocoa Products	\$219	7.7%	1. Italy 21.9% 2. Germany 11.9% 11. U.S. 3%
Dairy Products	\$196	6.8%	1. Netherlands 20.9% 2. Ireland 18.3% 8. U.S. 4.3%
Processed Vegetables	\$170	5.9%	1. U.S 15.8% 2. Belgium 12.1% 3. Netherlands 10.3%
Snack Foods NESOI	\$161	5.6%	1. Spain 12.8% 2. Poland 12.4% 12. U.S. 2.6%
Coffee, Roasted and Extracts	\$139	4.9%	1. Switzerland 30.3% 2. Italy 21.2% 20. U.S. 0.1%
Processed Fruit	\$131	4.6%	1. U.S 18.5% 2. Turkey 8.9% 3. Argentina 7.5%
Wine & Beer	\$110	3.8%	1. Mexico 15.9% 2. Germany 15.9% 8. U.S. 2.2%
Consumer Oriented Agricultural Total	\$2,858	100%	1. U.S. 11.2% 2. Italy 8.7% 3. Poland 6.8%

Notes:

1. Data Source: United Nations Commodity Trade Statistics, United Nations Statistics Division
2. Product Group : [BICO-HS6](#)

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

Israel is a net food importer. It is a good market for U.S. food exports, such as dried fruits, nuts, fresh apples and pears, cereal products, cheese, powdered milk, butter and milk spreads, frozen and canned fruit and vegetable, food ingredients, and other prepared food products.

Demand for healthy or natural foods is increasing, such as organic food. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand, as well as vegetarian and vegan products. An additional growing food category is high quality, higher end food products.

Table 3: Top Ten Consumer-Oriented Products Imported from the World

	HS Code	Product	Total Imports (\$ millions) 2016	Total Imports (\$ millions) 2017	Total Imports (\$ millions) 2018
1	020230	Frozen Beef (Boneless)	\$476	\$441	\$388
2	210690	Food Preps, Nesoi	\$205	\$233	\$232
3	020130	Fresh Beef (Boneless)	\$52	\$90	\$120
4	180690	Chocolate, Nesoi	\$89	\$99	\$108
5	230910	Dog Or Cat Food	\$67	\$76	\$92
6	090121	Coffee, Roasted	\$56	\$66	\$74
7	220300	Beer	\$48	\$57	\$62
8	190532	Waffles And Wafers	\$40	\$48	\$59
9	210111	Coffee Extracts	\$50	\$58	\$59
10	170490	Sugar Confectionery	\$50	\$58	\$59

Table 4: Top Ten Consumer-Oriented Products Imported from the United States

	HS Code	Product	Total Imports (\$ millions) 2016	Total Imports (\$ millions) 2017	Total Imports (\$ millions) 2018
1	210690	Food Preps, Nesoi	\$36	\$35	\$39
2	080232	Walnuts, No Shell	\$28	\$34	\$34
3	080290	Nuts Edible, Nesoi	\$17	\$29	\$26
4	080251	Pistachios, In Shell	\$21	\$36	\$25
5	080212	Almonds, No Shell	\$24	\$21	\$20
6	080810	Apples, Fresh	\$8	\$11	\$18
7	230910	Dog or Cat Food	\$16	\$15	\$17
8	200520	Potatoes, Prepared	\$3	\$3	\$11
9	190590	Other Bakers Wares	\$6	\$7	\$10
10	200290	Tomatoes Nesoi, Prepared	\$6	\$5	\$10

Note:

1. Data Source: United Nations Commodity Trade Statistics, United Nations Statistics Division

2. Nesoi- Not Elsewhere Specified or Indicated

Table 5: United States Products Presence

In the market and have good sales potential	Not present in significant quantities, but which have good sales potential	Not present because they face significant barriers
<ul style="list-style-type: none"> • Nuts • Processed fruit • Dairy products • Alcohol • Grape juice • Pears and apples • Snacks • Sauces • Pet food 	<ul style="list-style-type: none"> • Chilled kosher beef • Frozen cherries and berries • Premium dessert products such as premium chocolate bars, cookies, ice cream, and cheese • Functional drinks • Frozen kosher appetizers • Vegan and vegetarian products • Organic food • Gluten free products 	<ul style="list-style-type: none"> • Non-kosher meats are not permitted for importation • Kosher barriers on Crustaceans and Mollusks. They are not kosher and most supermarkets will not sell them as well as the major hotels and restaurants • Banana, fresh cherries and citrus are not allowed for importation due to phytosanitary restrictions

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

Links to government sources

Israel Tax Authority - [Customs Tariff Book](#)

Israel Central Bureau of Statistics (CBS) - [Exports and Imports](#)

The Standard Institution of Israel (SII) – [SII Shop](#)

Ministry of Economy and Industry- [Foreign Trade Administration](#) (FTA)

[Ministry of Agriculture](#)

Ministry of Health- [Food Control Administration](#): Telephone: +972-3-6270100

For questions or comments regarding this report, or assistance exporting to Israel, please contact the Foreign Agricultural Service in Tel Aviv. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

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